

Irrigation and Other
Contract No. I75r-4309E

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION
Friant Division, Central Valley Project, California
AGREEMENT FOR PARTIAL ASSIGNMENT OF
PORTERVILLE IRRIGATION DISTRICT
WATER SERVICE AND FACILITIES REPAYMENT CONTRACT TO
HILLS VALLEY IRRIGATION DISTRICT

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1 UNITED STATES
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5 AGREEMENT FOR PARTIAL ASSIGNMENT OF
6 PORTERVILLE IRRIGATION DISTRICT
7 WATER SERVICE AND FACILITIES REPAYMENT CONTRACT TO
8 HILLS VALLEY IRRIGATION DISTRICT

9 THIS AGREEMENT, made this 14th day of April, 2013,

10 is entered into by and among the UNITED STATES OF AMERICA, hereinafter referred to as
11 the "United States", through the United States Bureau of Reclamation ("Reclamation");
12 Porterville Irrigation District, hereinafter referred to as "Porterville", and Hills Valley Irrigation
13 District, hereinafter referred to as "Hills Valley", both public agencies of the State of California,
14 duly organized, existing, and acting pursuant to the laws thereof, with its principal place of
15 business in California. Porterville, Hills Valley, and Reclamation may sometimes be collectively
16 referred to herein as the "Parties" and individually as a "Party".

17 WITNESSETH, That:

18 EXPLANATORY RECITALS

19 A. On January 28, 1952, the United States and Porterville entered into Contract
20 No. I75r-4309, as amended, providing for the annual delivery to Porterville of up to
21 16,000 acre-feet of Class 1 water and up to 30,000 acre-feet of Class 2 water from the Friant Division
22 of the Central Valley Project (hereinafter referred to as the "Project") through February 29, 1992.

23 B. The United States and Porterville entered into a series of interim renewal contracts,
24 identified as Contract Nos. I75r-4309R and I75r-4309-IR1, which provided for the continued
25 water service to Porterville from March 1, 1992 through February 28, 2001.

26 C. Subsequently, the United States and Porterville entered into a long-term renewal
27 contract identified as Contract No. I75r-4309-LTRI, which provided for continued water service
28 to Porterville through February 28, 2026, which was amended January 22, 2007.

29 D. On December 29, 2010, the United States and Porterville entered into Repayment
30 Contract No. I75r-4309D, providing for continued water service and facilities repayment.
31 Hereinafter, Porterville's Repayment Contract, as it may be modified from time to time in
32 accordance with law, and as supplemented herein, will be referred to as the "Existing Contract".

33 E. On January 31, 2011, Porterville remitted to the United States \$4,500,274.84,
34 representing payment in full of the Repayment Obligation, as that term is used in the Existing
35 Contract. With the payment of the Repayment Obligation and in accordance with subdivision (b)
36 of Article 2 of the Existing Contract, Exhibit "E", attached to the Existing Contract, became the
37 entire agreement between Porterville and Reclamation and the tiered pricing component and the
38 acreage limitations, reporting, and full cost pricing provisions of the Reclamation Reform Act of
39 1982 were no longer applicable to Porterville.

40 F. On May 11, 1976, the United States, the Department of Water Resources, and
41 Hills Valley entered into Contract No. 14-06-200-8466A, as amended, providing for the annual
42 delivery to Hills Valley of up to 3,346 acre-feet of Project Water from the Project through
43 February 29, 1996.

44 G. The United States, the Department of Water Resources, and Hills Valley
45 subsequently entered into a series of interim renewal contracts identified as Contract
46 Nos. 14-06-200-8466A-IR1 through IR14, which provide for continued water service to Hills
47 Valley through February 28, 2014.

48 H. Porterville has requested that Reclamation approve a partial assignment of the
49 Existing Contract to Hills Valley to provide an additional source of Project Water, as that term is
50 used in the Existing Contract, hereinafter referred to as “Project Water”, to Hills Valley.

51 I. Article 32 of the Existing Contract provides for assignment of the Existing
52 Contract, or any interest therein, with the written approval of the Contracting Officer acting on
53 behalf of the United States.

54 J. Porterville intends to hereby assign a portion of the Existing Contract to Hills
55 Valley in exchange for monetary consideration. Porterville and Hills Valley now wish to secure
56 Reclamation’s approval of the assignment of a portion of the Project Water referenced in the
57 Existing Contract to Hills Valley.

58 K. Upon the effective date of this Agreement, Porterville’s partial assignment to
59 Hills Valley will be final and Hills Valley will accept and be fully responsible for all rights and
60 obligations of a Contractor, as that term is used under the Existing Contract, with respect to
61 1,000 acre-feet of Class 1 Project Water (hereinafter referred to as the “Assigned Project
62 Water”).

63 L. Porterville and Hills Valley will comply with all applicable Federal, state, and
64 local laws, rules, and ordinances that apply to this Agreement.

65 M. The Parties to this Agreement each have complied with all environmental and
66 other laws applicable to their respective approval and implementation of this Agreement,
67 including but not limited to, the National Environmental Policy Act, the California
68 Environmental Quality Act, Reclamation Law, and the Federal Endangered Species Act.

69 IT IS THEREFORE AGREED AMONG THE PARTIES:

70 TERMS AND CONDITIONS

71 1. (a) Upon the effective date of this Agreement, the assignment to Hills Valley
72 of Porterville's rights to the Assigned Project Water will be complete and Hills Valley
73 acknowledges and accepts the obligation to pay its proportionate share of the Additional Capital
74 Obligation, as that term is used in the Existing Contract. Hills Valley will, commencing on the
75 effective date of this Agreement, assume all rights, duties, and interests of a Contractor, as that
76 term is used in the Existing Contract, as they apply to the Assigned Project Water, separately
77 from Porterville. Hills Valley accepts all obligations, terms and conditions with respect to the
78 Existing Contract applicable to the Contractor, as that term is used under the Existing Contract,
79 as they apply to the Assigned Project Water. This Agreement shall not constitute an amendment
80 or modification of the terms, conditions, obligations, and duties in the Existing Contract.

81 (b) Reclamation's approval of this Agreement shall not constitute a release by
82 Reclamation of Porterville from any of its duties and obligations under the Existing Contract as
83 to all Project Water other than the Assigned Project Water. Reclamation will consider Hills
84 Valley separately from Porterville as a Contractor, as that term is used under the Existing
85 Contract, and as to those quantities assigned hereby will hold Hills Valley responsible for
86 compliance with the terms and conditions of the Existing Contract in connection with the
87 Assigned Project Water.

88 PAYMENT OF EXISTING OPERATION AND MAINTENANCE DEFICITS

89 2. (a) Prior to the effective date of this Agreement, Porterville shall have paid in
90 full to the United States any operation and maintenance deficit that may be owed by Porterville

91 to the United States as a result of the previous delivery of the Assigned Project Water to
92 Porterville pursuant to the Existing Contract.

93 (b) Reclamation acknowledges and agrees that, upon the satisfaction of
94 subdivision (a) above, no operation and maintenance deficit is owed by Porterville to the United
95 States as a result of the delivery of the Project Water as of September 30, 2011. However, if
96 Reclamation determines there is any additional amount owed or at any time needs to make an
97 adjustment to its past water contractor accountings, resulting in an amount that is outstanding or
98 overpaid as a result of delivery of Project Water to Porterville, including Restoration Fund
99 charges, such amount or adjustment shall be owed by Porterville if outstanding, or credited or
100 refunded to Porterville if overpaid.

101 CONTRACTOR SERVICE AREA AND POINTS OF DIVERSION

102 3. Consistent with the Existing Contract, on or after the effective date of this
103 Agreement, the Assigned Project Water will be delivered to Hills Valley’s service area as shown
104 on Exhibit “A” attached to this Agreement. Hills Valley will divert the Assigned Project Water
105 from existing points of diversion located on the Friant-Kern Canal, or other points approved in
106 writing by Reclamation.

107 RESERVATION OF INTEREST

108 4. (a) Upon full execution of this Agreement, Hills Valley shall be the
109 Contractor under the Existing Contract as to the Assigned Project Water, and Porterville shall
110 continue to be the Contractor under the Existing Contract for all Project Water other than the
111 Assigned Project Water.

112 (b) Any breach or default by Hills Valley of any obligation with respect to the
113 Assigned Project Water shall not affect the rights, duties, obligations, and interests of Porterville

114 with respect to the Existing Contract, and shall not constitute a breach or default of Porterville
115 with respect to the balance of Project Water under the Existing Contract.

116 (c) In the event of termination of this Agreement, Porterville hereby retains a
117 right of reverter, as described below in this subdivision, to all of the Contractor's rights and
118 obligations under the Existing Contract to the full contractual quantities set forth in Article 3 of
119 the Existing Contract. The Parties agree that in the event that this Agreement is terminated and
120 provided that any curable breaches by Hills Valley, as determined by the Contracting Officer,
121 existing at the time of termination of this Agreement are cured within a reasonable time by
122 Porterville, then Porterville's rights and obligations related to all contract quantities specified in
123 Article 3 of the Existing Contract shall fully revert to Porterville. Hills Valley's rights and
124 obligations related to the Assigned Project Water as established by this Agreement shall
125 terminate, as of the date of such reversion.

126 WATER RATES AND CHARGES

127 5. The Assigned Project Water shall be subject to the applicable Rates and Charges
128 as shown in Exhibit "B", attached to this Agreement, which shall be subject to annual adjustment
129 as provided in subdivision (c) of Article 7 in the Existing Contract, and crediting determined
130 annually in accordance with Federal law, associated regulations and the then-existing Central
131 Valley Project Ratesetting policies. Hills Valley shall submit to Reclamation water delivery
132 schedules as required by the Existing Contract, as may be amended. Upon the effective date of
133 this Agreement, all historic, present, and future costs and credits accrued under the Existing
134 Contract, that relates to the Assigned Project Water, will be recognized and established under
135 separate financial accountings for Hills Valley.

136 RECOVERED WATER ACCOUNT

137 6. On the effective date of this Agreement, Hills Valley will be entitled to a
138 proportionate share of any subsequent Recovered Water Account credits made available by the
139 United States pursuant to the Existing Contract. The manner in which the Recovered Water
140 Account will be administered will be developed in accordance with subdivision (k) of Article 7
141 of the Existing Contract, the San Joaquin River Restoration Settlement Act, and Paragraph 16 of
142 the Stipulation of Settlement.

143 FRIANT SURCHARGE REDUCTION
144 CALCULATIONS – EXHIBITS “C-1” AND “C-2”

145 7. Hills Valley’s applicable reduction of the Friant Surcharge and other values, as set
146 forth in subdivision (c) of Article 7 in the Existing Contract, are reflected in Exhibit “C-1”
147 attached to this Agreement. Porterville’s applicable reduction of the Friant Surcharge and other
148 values, as set forth in subdivision (c) of Article 7 in the Existing Contract, are reflected in
149 Exhibit “C-2” attached to this Agreement.

150 APPLICABILITY OF THE RECLAMATION REFORM ACT OF 1982

151 8. The acreage limitations, reporting, and Full Cost pricing provisions of the
152 Reclamation Reform Act of 1982 (96 Stat. 1293), hereinafter referred to as “RRA”, shall no
153 longer apply to lands in Hills Valley’s Service Area with respect to the Assigned Project Water
154 pursuant to this Agreement. Hills Valley is currently subject to the acreage limitations,
155 reporting, and Full-Cost pricing provisions of the RRA, through separate contracts, other than
156 this Agreement. The terms and conditions in such other contracts shall continue to apply, and if
157 such terms and conditions so require, the lands to receive Project Water under such other
158 contracts shall be properly designated by Hills Valley and such Project Water is to be delivered

159 in accordance with the RRA including any applicable acreage limitations, reporting, and Full
160 Cost pricing provisions.

161 TERMINATION CLAUSE

162 9. This Agreement shall become effective on the date referenced in Article 14 and
163 shall continue so long as Hills Valley is complying with the terms and conditions of the Existing
164 Contract, making the annual payments required and paying any other amounts owing under the
165 Existing Contract, this Agreement and applicable law, as they apply to the Assigned Project
166 Water, unless it is terminated by the Contracting Officer by reason of a material uncured breach
167 by Hills Valley; *Provided*, That the Contracting Officer shall not seek to terminate this
168 Agreement by reason of an asserted material uncured breach by Hills Valley unless it has first
169 provided at least 60 days' written notice of the asserted breach to Hills Valley and Hills Valley
170 has failed to cure such breach (or to diligently commence curative actions satisfactory to the
171 Contracting Officer for a breach that cannot be fully cured within 60 days) within the 60-day
172 notice period; *Provided further*, That this Agreement may be terminated at any time by mutual
173 consent of the Parties hereto. If this Agreement is terminated pursuant to this Article 9, the
174 provisions of subdivision (c) of Article 4 shall apply.

175 UNITED STATES APPROVAL

176 10. The United States hereby approves this Agreement, accepts the assignment
177 contemplated hereby and accepts Hills Valley as a Contractor, as that term is used in the Existing
178 Contract, and finds that no further action by the United States is necessary to put this Agreement
179 into effect.

180

AGREEMENT DRAFTING CONSIDERATIONS

181 11. Articles 1 through 10 and 14 of this Agreement have been drafted, negotiated, and
182 reviewed by the Parties hereto, each of whom is sophisticated in the matters to which this
183 Agreement pertains, and no one Party shall be considered to have drafted the stated articles.

184

ASSIGNMENT LIMITED – SUCCESSORS AND ASSIGNS OBLIGATED

185 12. The provisions of this contract shall apply to and bind the successors and assigns
186 of the Parties hereto, but no assignment or transfer of this contract or any right or interest therein
187 by either Party shall be valid until approved in writing by the other Party.

188

NOTICES

189 13. Any notice, demand, or request authorized or required by this contract shall be
190 deemed to have been given, on behalf of Hills Valley and Porterville, when mailed, postage
191 prepaid, or delivered to the Area Manager, South-Central California Area Office, Bureau of
192 Reclamation, 1243 “N” Street, Fresno, California 93721, and on behalf of the United States,
193 when mailed, postage prepaid, or delivered to the Board of Directors of Hills Valley Irrigation
194 District, Post Office Box 911, Visalia, California 93279 and the Board of Directors of Porterville
195 Irrigation District, 22086 Avenue 160, Porterville, California 93257. The designation of the
196 addressee or the address may be changed by notice given in the same manner as provided in this
197 article for other notices.

198

EFFECTIVE DATE

199 14. The effective date of this Agreement shall be October 1, 2012; *Provided*, That it is
200 fully executed by all the Parties.

201 IN WITNESS WHEREOF, the Parties have executed this Agreement as of the
202 day and year first above written.

203 PORTERVILLE IRRIGATION DISTRICT

204 By Guido Lombardi
205 President, Board of Directors

(Seal)

206 Attest: [Signature]
207 By: [Signature]
208 Secretary of the Board of Directors

209 HILLS VALLEY IRRIGATION DISTRICT

210 By Joren Booth
211 President, Board of Directors

(Seal)

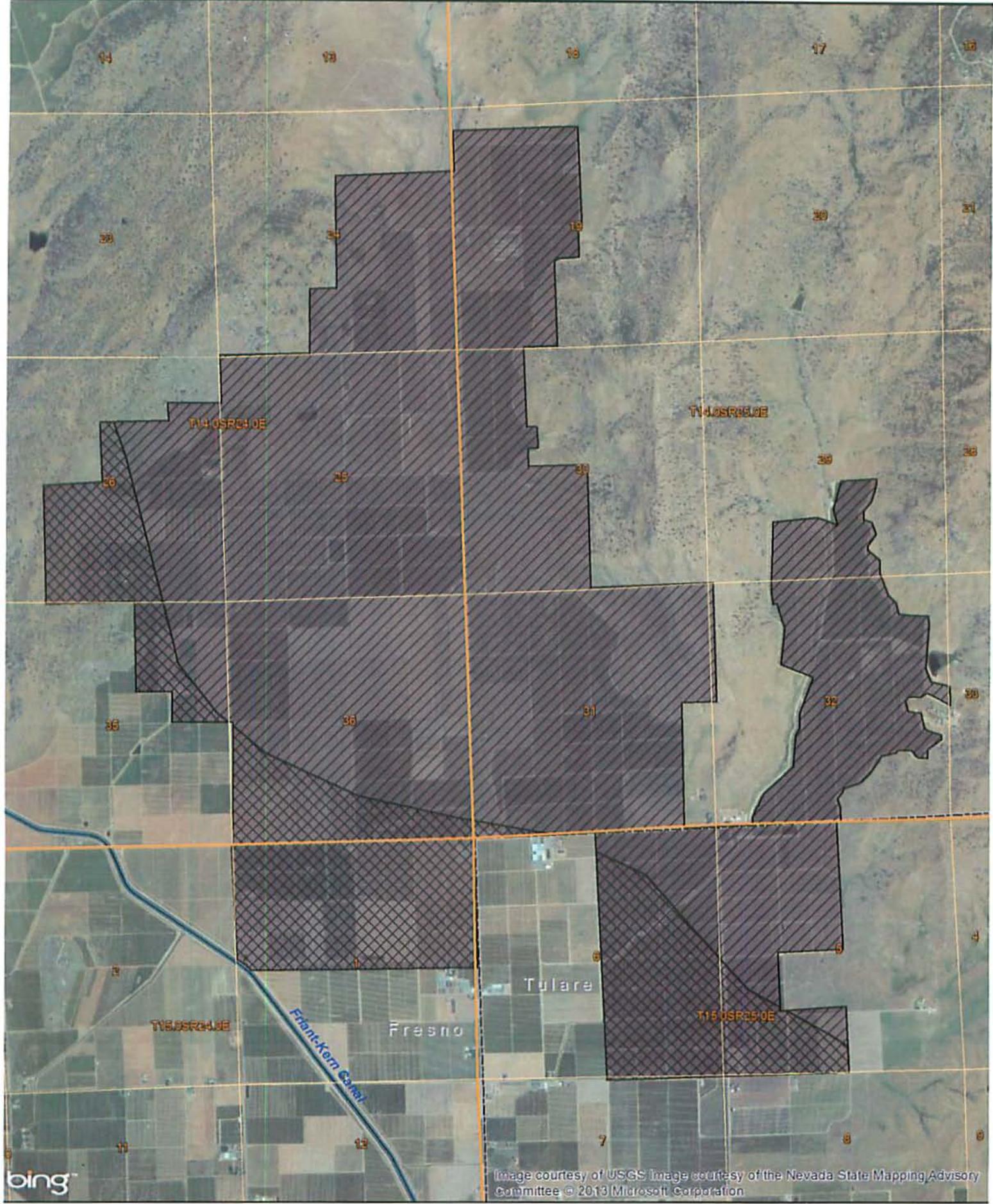
212 Attest: [Signature]
213 By: Dennis R. Keller
214 Secretary of the Board of Directors

215 The foregoing Agreement for Partial Assignment of the Existing Contract and the terms
216 detailed above are hereby approved and accepted by the United States of America.

217 UNITED STATES OF AMERICA

218 APPROVED AS TO LEGAL
219 FORM AND SUFFICIENCY
220 [Signature]
Office of the Regional Solicitor
Department of the Interior

FOR By Robert Anapine
Regional Director, Mid-Pacific Region
Bureau of Reclamation



-  Contractor's Service Area (Irrigation Only)
-  Contractor's Service Area (Irrigation and Other)
-  District Boundary

Hills Valley I.D.

Contract 175r-4309E
Exhibit A



1785-202-159

Image courtesy of USGS Image courtesy of the Nevada State Mapping Advisory Committee © 2013 Microsoft Corporation

**EXHIBIT B
HILLS VALLEY IRRIGATION DISTRICT
2012 Rates and Charges
(Per Acre-Foot)**

	Irrigation Water Class 1	Other Water Class 1
COST-OF-SERVICE (COS) RATES		
Capital Component ¹		
O&M Components		
Water Marketing	\$6.43	\$3.13
Storage	\$8.03	\$7.49
Conveyance Pumping ²		
Conveyance	\$0.15	
American Recovery and Reinvestment Act (ARRA)	\$0.02	
TOTAL COS RATES	\$14.63	\$10.62
MINIMUM OTHER WATER RATE³		\$15.00
CHARGES AND ASSESSMENTS (Payments in addition to Rates)		
P.L. 102-575 Surcharges		
Restoration Fund Payment [Section 3407(d)(2)(A)]	\$9.79	\$19.58
Friant Surcharge [Section 3406(c)(1)]	\$7.00	\$7.00
P.L. 106-377 Assessment (Trinity Public Utilities District) [Appendix B, Section 203]	\$0.05	\$0.05

EXPLANATORY NOTES

- 1 Contractor's rate reflects contract has converted to 9(d) pursuant to the San Joaquin River Restoration Settlement Act. As such, all current and future obligations for construction costs will be repaid through a separate repayment agreement.
- 2 Conveyance and Conveyance Pumping operation and maintenance costs were removed for Irrigation ratesetting purposes and are to be direct billed by the Operating Non-Federal Entity.
- 3 Cost of Service rate is the greater of the CVP minimum rate of \$15.00 per acre-foot or the cost of service rate.

**Additional detail of rate components is available on the Internet at
<http://www.usbr.gov/mp/cvpwaterrates/ratebooks/index.html>**

Exhibit C-1
Friant Surcharge Reduction Calculation

Friant Contractor:
San Joaquin River Restoration Act

Hills Valley ID

Average Annual Delivery - Forecasted for 2020-2039*	850
Total Projected deliveries (over 20 yr period)**	17,000
Article 7(c)	17,000
20 yr CMT as of 10/1/2010	3.400%
1/2 20 yr CMT as of 10/1/2010	1.700%
Irrigation Portion of Existing Capital Obligation	\$242,787
NPV at Half CMT (Repayment Obligation)	\$204,364
NPV at Full CMT	\$174,101
Financing Cost Offset[®]: (Article 7(c){1})	\$30,263
NPV of FS Reduction	\$27,068
Difference between Financing Cost Offset and NPV of FS Reduction	\$3,195
2020 Other Obligation Credit (FV of difference) (Art. 7(c)(2))***	\$4,317

Year	Irrigation portion of Allocated Capital Cost			CVPIA Friant	Reduction in Friant Surcharge			
	Beginning Balance	Straight Line Repayment	Surcharge per Acre- Foot Before Reduction	Surcharges	Friant Surcharge Reduction per Article 7(c)(1)	Friant Surcharge due per A/F after Reduction	Projected Total Annual Credit	2020 Other Obligation Credit Calculation (Art. 7(c)(2))
2011	\$ 242,787	\$ 12,139	\$7.00			\$7.00	0 \$	3,195.07
2012	\$ 230,647	\$ 12,139	\$7.00			\$7.00	0 \$	3,303.71
2013	\$ 218,508	\$ 12,139	\$7.00			\$7.00	0 \$	3,416.03
2014	\$ 206,369	\$ 12,139	\$7.00			\$7.00	0 \$	3,532.18
2015	\$ 194,229	\$ 12,139	\$7.00			\$7.00	0 \$	3,652.27
2016	\$ 182,090	\$ 12,139	\$7.00			\$7.00	0 \$	3,776.45
2017	\$ 169,951	\$ 12,139	\$7.00			\$7.00	0 \$	3,904.85
2018	\$ 157,811	\$ 12,139	\$7.00			\$7.00	0 \$	4,037.61
2019	\$ 145,672	\$ 12,139	\$7.00			\$7.00	0 \$	4,174.89
2020	\$ 133,533	\$ 12,139	\$7.00		(\$3.00)	\$ 4.00	(\$2,550)	\$ 4,316.84
2021	\$ 121,393	\$ 12,139	\$7.00		(\$3.00)	\$ 4.00	(2,550)	
2022	\$ 109,254	\$ 12,139	\$7.00		(\$3.00)	\$ 4.00	(2,550)	
2023	\$ 97,115	\$ 12,139	\$7.00		(\$3.00)	\$ 4.00	(2,550)	
2024	\$ 84,975	\$ 12,139	\$7.00		(\$3.00)	\$ 4.00	(2,550)	
2025	\$ 72,836	\$ 12,139	\$7.00		(\$3.00)	\$ 4.00	(2,550)	
2026	\$ 60,697	\$ 12,139	\$7.00		(\$3.00)	\$ 4.00	(2,550)	
2027	\$ 48,557	\$ 12,139	\$7.00		(\$3.00)	\$ 4.00	(2,550)	
2028	\$ 36,418	\$ 12,139	\$7.00		(\$3.00)	\$ 4.00	(2,550)	
2029	\$ 24,279	\$ 12,139	\$7.00		(\$3.00)	\$ 4.00	(2,550)	
2030	\$ 12,139	\$ 12,139	\$7.00		(\$3.00)	\$ 4.00	(2,550)	
2031			\$7.00		(\$3.00)	\$ 4.00	(2,550)	
2032			\$7.00		(\$3.00)	\$ 4.00	(2,550)	
2033			\$7.00		(\$3.00)	\$ 4.00	(2,550)	
2034			\$7.00		(\$3.00)	\$ 4.00	(2,550)	
2035			\$7.00		(\$3.00)	\$ 4.00	(2,550)	
2036			\$7.00		(\$3.00)	\$ 4.00	(2,550)	
2037			\$7.00		(\$3.00)	\$ 4.00	(2,550)	
2038			\$7.00		(\$3.00)	\$ 4.00	(2,550)	
2039			\$7.00		(\$3.00)	\$ 4.00	(2,550)	
	\$ 242,787						(\$51,000)	

Exhibit C-1
Friant Surcharge Reduction Calculation

Footnotes

* Average annual delivery forecast indicated above is a mutually agreed upon estimate of deliveries during the period 2020-2039 for purposes of calculating the Friant Surcharge reduction and related credits only.

** This figure represents the total cumulative deliveries the reduced surcharge is applicable to, but not beyond 2039. If cumulative actual deliveries exceed this amount prior to 2039, the full Friant Surcharge is applicable to deliveries in excess of this amount.

*** The difference represents the amount of financing costs that are not offset through the reduced Friant Surcharge computed on this schedule. Pursuant to Section 7(c)(2), this amount shall offset the Contractor's other outstanding or future obligations. After 2020, the Contractor's other obligations shall be reduced in the following order to fully offset this amount: 1) Payments or prepayments due for O&M expenses and, to the extent applicable, 2) Additional Capital Obligation.

@ Amount of reduction in Friant Surcharge is computed using FPV of Financing Costs adjusted to Yr 2020. Annual Friant Surcharge reduction to fully offset Financing costs is computed and presented on a per a/f basis. Friant surcharge may be reduced up to \$3 per a/f.

Friant Surcharge (FS) Reduction Calculations

FV of Total Financing Cost for Offset	\$	42,279
Annual Credit Target	\$	(2,851)
FS Reduction w/o limit	\$	(3.35)
FS Reduction limit	\$	(3.00)

Exhibit C-2
Restated Friant Surcharge Reduction Calculation

Friant Contractor:
San Joaquin River Restoration Act

Porterville ID

Average Annual Delivery - Forecasted for 2020-2039*	16,950
Total Projected deliveries (over 20 yr period)**	339,000
Article 7(c)	339,000
20 yr CMT as of 10/1/2010	3.400%
1/2 20 yr CMT as of 10/1/2010	1.700%
Irrigation Portion of Existing Capital Obligation	\$5,103,587
NPV at Half CMT (Repayment Obligation)	\$4,295,911
NPV at Full CMT	\$3,659,748
Financing Cost Offset [®] : (Article 7(c)(1))	\$636,163
NPV of FS Reduction	\$539,774
Difference between Financing Cost Offset and NPV of FS Reduction	\$96,389
2020 Other Obligation Credit (FV of difference) (Art. 7(c)(2))***	\$130,230

Irrigation portion of Allocated Capital Cost					CVPIA Friant Surcharges	Reduction in Friant Surcharge			
Year	Beginning Balance	Straight Line Repayment	Surcharge per Acre-Foot Before Reduction		Friant Surcharge Reduction per Article 7(c)(1)	Friant Surcharge due per A/F after Reduction	Projected Total Annual Credit	2020 Other Obligation Credit Calculation (Art. 7(c)(2))	
2011	\$ 5,103,587	\$ 255,179	\$ 7.00	\$ 7.00		\$ 7.00	0	\$	96,388.83
2012	\$ 4,848,408	\$ 255,179	\$ 7.00	\$ 7.00		\$ 7.00	0	\$	99,666.05
2013	\$ 4,593,228	\$ 255,179	\$ 7.00	\$ 7.00		\$ 7.00	0	\$	103,054.70
2014	\$ 4,338,049	\$ 255,179	\$ 7.00	\$ 7.00		\$ 7.00	0	\$	106,558.56
2015	\$ 4,082,870	\$ 255,179	\$ 7.00	\$ 7.00		\$ 7.00	0	\$	110,181.55
2016	\$ 3,827,690	\$ 255,179	\$ 7.00	\$ 7.00		\$ 7.00	0	\$	113,927.72
2017	\$ 3,572,511	\$ 255,179	\$ 7.00	\$ 7.00		\$ 7.00	0	\$	117,801.26
2018	\$ 3,317,331	\$ 255,179	\$ 7.00	\$ 7.00		\$ 7.00	0	\$	121,806.51
2019	\$ 3,062,152	\$ 255,179	\$ 7.00	\$ 7.00		\$ 7.00	0	\$	125,947.93
2020	\$ 2,806,973	\$ 255,179	\$ 7.00	\$ 7.00	(\$3.00)	\$ 4.00	(\$50,850)	\$	130,230.16
2021	\$ 2,551,793	\$ 255,179	\$ 7.00	\$ 7.00	(\$3.00)	\$ 4.00	(\$50,850)		
2022	\$ 2,296,614	\$ 255,179	\$ 7.00	\$ 7.00	(\$3.00)	\$ 4.00	(\$50,850)		
2023	\$ 2,041,435	\$ 255,179	\$ 7.00	\$ 7.00	(\$3.00)	\$ 4.00	(\$50,850)		
2024	\$ 1,786,255	\$ 255,179	\$ 7.00	\$ 7.00	(\$3.00)	\$ 4.00	(\$50,850)		
2025	\$ 1,531,076	\$ 255,179	\$ 7.00	\$ 7.00	(\$3.00)	\$ 4.00	(\$50,850)		
2026	\$ 1,275,897	\$ 255,179	\$ 7.00	\$ 7.00	(\$3.00)	\$ 4.00	(\$50,850)		
2027	\$ 1,020,717	\$ 255,179	\$ 7.00	\$ 7.00	(\$3.00)	\$ 4.00	(\$50,850)		
2028	\$ 765,538	\$ 255,179	\$ 7.00	\$ 7.00	(\$3.00)	\$ 4.00	(\$50,850)		
2029	\$ 510,359	\$ 255,179	\$ 7.00	\$ 7.00	(\$3.00)	\$ 4.00	(\$50,850)		
2030	\$ 255,179	\$ 255,179	\$ 7.00	\$ 7.00	(\$3.00)	\$ 4.00	(\$50,850)		
2031			\$ 7.00	\$ 7.00	(\$3.00)	\$ 4.00	(\$50,850)		
2032			\$ 7.00	\$ 7.00	(\$3.00)	\$ 4.00	(\$50,850)		
2033			\$ 7.00	\$ 7.00	(\$3.00)	\$ 4.00	(\$50,850)		
2034			\$ 7.00	\$ 7.00	(\$3.00)	\$ 4.00	(\$50,850)		
2035			\$ 7.00	\$ 7.00	(\$3.00)	\$ 4.00	(\$50,850)		
2036			\$ 7.00	\$ 7.00	(\$3.00)	\$ 4.00	(\$50,850)		
2037			\$ 7.00	\$ 7.00	(\$3.00)	\$ 4.00	(\$50,850)		
2038			\$ 7.00	\$ 7.00	(\$3.00)	\$ 4.00	(\$50,850)		
2039			\$ 7.00	\$ 7.00	(\$3.00)	\$ 4.00	(\$50,850)		
	\$ 5,103,587						(\$1,017,000)		

Exhibit C-2
Restated Friant Surcharge Reduction Calculation

Footnotes

* Average annual delivery forecast indicated above is a mutually agreed upon estimate of deliveries during the period 2020-2039 for purposes of calculating the Friant Surcharge reduction and related credits only.

** This figure represents the total cumulative deliveries the reduced surcharge is applicable to, but not beyond 2039. If cumulative actual deliveries exceed this amount prior to 2039, the full Friant Surcharge is applicable to deliveries in excess of this amount.

*** The difference represents the amount of financing costs that are not offset through the reduced Friant Surcharge computed on this schedule. Pursuant to Section 7(c)(2), this amount shall offset the Contractor's other outstanding or future obligations. After 2020, the Contractor's other obligations shall be reduced in the following order to fully offset this amount: 1) Payments or prepayments due for O&M expenses and, to the extent applicable, 2) Additional Capital Obligation.

@ Amount of reduction in Friant Surcharge is computed using FPV of Financing Costs adjusted to Yr 2020. Annual Friant Surcharge reduction to fully offset Financing costs is computed and presented on a per a/f basis. Friant surcharge may be reduced up to \$3 per a/f.

Friant Surcharge (FS) Reduction Calculations

FV of Total Financing Cost: for Offset	\$	888,738
Annual Credit Target	\$	(59,930)
FS Reduction w/o limit	\$	(3.54)
FS Reduction limit	\$	(3.00)

**BEFORE THE BOARD OF DIRECTORS
OF THE
HILLS VALLEY IRRIGATION DISTRICT**

IN THE MATTER OF:

RESOLUTION NO: 2012-~~4~~8

**APPROVING AND AUTHORIZING THE EXECUTION OF A
CONTRACT WITH THE UNITED STATES AND PORTERVILLE IRRIGATION
DISTRICT FOR THE ASSIGNMENT OF 1,000 ACRE-FEET OF PORTERVILLE
IRRIGATION DISTRICT'S CENTRAL VALLEY PROJECT FRIANT DIVISION
CLASS 1 WATER TO HILLS VALLEY IRRIGATION DISTRICT**

WHEREAS, the United States of America (hereinafter "United States") has constructed and is operating the Central Valley Project (hereinafter "CVP") in California, for diversion, storage, carriage, distribution and beneficial use, for flood control, irrigation, municipal, domestic, industrial, fish and wildlife mitigation, protection and restoration, generation and distribution of electric energy, salinity control, navigation and other beneficial uses, of the waters of the Sacramento River, the American River, the Trinity River, and the San Joaquin River and their tributaries (hereinafter "CVP Water"); and

WHEREAS, the United States constructed Friant Dam (thereby creating Millerton Lake) and the Friant-Kern and Madera Canals, hereinafter collectively referred to as the Friant Division Facilities, which will be used in part for the furnishing of CVP Water to Porterville Irrigation District (hereinafter "PID") and Hills Valley Irrigation District (hereinafter "HVID"); and

WHEREAS, PID is a Friant Division CVP contractor with a 9(d) Repayment Contract (Contract No. 175r-4309D) with United States Bureau of Reclamation (hereinafter "Reclamation") for a Class 1 allocation of 16,000 are-feet of CVP Water and a Class 2 allocation of 30,000 acre-feet of CVP Water; and

WHEREAS, HVID is a Cross Valley CVP contractor with a contract with Reclamation (Contract No. 14-06-200-8446A-IR14) for 3,346 AF CVP Water from the Sacramento-San Joaquin River Delta (Delta), and is a subcontractor with the County of Tulare on its Cross Valley CVP contract (Contract No. 14-06-200-8293A-IR14); and

WHEREAS, PID has historically transferred some of its CVP Water to other CVP contractors, such as HVID, through the Friant Division/Cross Valley Accelerated Water Transfer Program (hereinafter "AWTP"), which is an accelerated process that allows for water transfers and exchanges under Section 3405 of Central Valley Project Improvement Act (CVPIA, Title 34 of Public Law 102-575); and

WHEREAS, rather than continue annual transfers under the AWTP, PID and HVID have requested approval from Reclamation for the assignment of 1,000 acre-feet of PID's CVP Friant Division Class 1 water supply to HVID (hereinafter the "Project"); and

WHEREAS, an Environmental Assessment (“EA”)/Initial Study (“IS”) was jointly prepared for the Project by Reclamation as the federal lead agency to satisfy the requirements of the National Environmental Policy Act (“NEPA”) and PID as the California lead agency to satisfy the requirements California Environmental Quality Act (“CEQA”); and

WHEREAS, on September 11, 2012, at a duly notice public meeting, the Board of Directors for the PID adopted a Negative Declaration for the Project pursuant to the requirements of CEQA, which concludes that the Project will not have a significant effect on the environment; and

WHEREAS, HVID is a California responsible agency pursuant to CEQA, and has reviewed and considered the information in the CEQA documents prepared by PID for the Project; and

WHEREAS, Reclamation (on behalf of the United States), PID and HVID have negotiated that certain “Agreement for Partial Assignment of Porterville Irrigation District water services and facilities repayment contract to Hills Valley Irrigation District” (hereinafter “Assignment Contract”), which memorializes the terms and conditions for the Project; and

WHEREAS, the HVID Board of Directors has reviewed the Assignment Contract and finds that that the assignment of 1,000 acre-feet of PID’s CVP Friant Division Class 1 water supply to HVID is in the best interests of the HVID and its landowners, and that the Assignment Contract should be executed in substantially the form attached as Exhibit A hereto, which execution shall occur upon the completion of all necessary approvals for the Project.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Hills Valley Irrigation District has reviewed and considered the information in the Joint EA/IS prepared by Reclamation as the lead agency in satisfaction of the requirements of NEPA, and by PID, as the lead agency in satisfaction of the requirements of CEQA, along with the Negative Declaration adopted by the Board of Directors of the PID on September 11, 2012 which concluded that the Project will not have a significant effect on the environment, along with all other documents and materials which constitute the record of proceedings for CEQA review for the Project.

NOW, THEREFORE, BE IT FURTHER RESOLVED that Board of Directors for the Hills Valley Irrigation District:

1. Determines that the foregoing recitals and findings are true and correct, and incorporates them herein by this reference; and
2. Approves and authorizes execution of the Assignment Contract by the President and Secretary in substantially the form attached hereto as Exhibit A, which execution shall be subject to the completion of all necessary approvals for the Project; and

3. Authorizes and directs the Secretary to provide certified copies of the foregoing resolution to the Bureau of Reclamation; and
4. Authorizes and directs the PID's officers, staff and consultants to take all additional actions they deem necessary or appropriate to facilitate the execution of the Assignment Contract and to comply with its terms and conditions.

All of the foregoing, being on the motion of Director Schroeder, and seconded by Director Archer, was authorized by the following vote:

AYES: 2

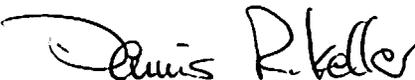
NOES: 0

ABSTAINING: 0

ABSENT: 1

I HEREBY CERTIFY that the foregoing resolution is the resolution of said District as duly passed and adopted by said Board of Directors on the Fourteenth day of September, 2012.

WITNESS my hand and seal of the Board of Directors this Fourteenth day of September, 2012.



Secretary of the Board of Directors

**BEFORE THE BOARD OF DIRECTORS
OF THE
PORTERVILLE IRRIGATION DISTRICT**

IN THE MATTER OF:

RESOLUTION NO: 2012-09-02

**APPROVING AND AUTHORIZING THE EXECUTION OF A
CONTRACT WITH THE UNITED STATES AND HILLS VALLEY IRRIGATION
DISTRICT FOR THE ASSIGNMENT OF 1,000 ACRE-FEET OF PORTERVILLE
IRRIGATION DISTRICT'S CENTRAL VALLEY PROJECT FRIANT DIVISION
CLASS 1 WATER TO HILLS VALLEY IRRIGATION DISTRICT; AND
AUTHORIZING FILING OF A NOTICE OF DETERMINATION PURSUANT TO THE
CALIFORNIA ENVIRONMENTAL QUALITY ACT**

WHEREAS, the United States of America (hereinafter "United States") has constructed and is operating the Central Valley Project (hereinafter "CVP") in California, for diversion, storage, carriage, distribution and beneficial use, for flood control, irrigation, municipal, domestic, industrial, fish and wildlife mitigation, protection and restoration, generation and distribution of electric energy, salinity control, navigation and other beneficial uses, of the waters of the Sacramento River, the American River, the Trinity River, and the San Joaquin River and their tributaries (hereinafter "CVP Water"); and

WHEREAS, the United States constructed Friant Dam (thereby creating Millerton Lake) and the Friant-Kern and Madera Canals, hereinafter collectively referred to as the Friant Division Facilities, which will be used in part for the furnishing of CVP Water to Porterville Irrigation District (hereinafter "PID") and Hills Valley Irrigation District (hereinafter "HVID"); and

WHEREAS, PID is a Friant Division CVP contractor with a 9(d) Repayment Contract (Contract No. 175r-4309D) with United States Bureau of Reclamation (hereinafter "Reclamation") for a Class 1 allocation of 16,000 are-feet of CVP Water and a Class 2 allocation of 30,000 acre-feet of CVP Water; and

WHEREAS, HVID is a Cross Valley CVP contractor with a contract with Reclamation (Contract No. 14-06-200-8446A-IR14) for 3,346 AF CVP Water from the Sacramento-San Joaquin River Delta (Delta), and is a subcontractor with the County of Tulare on its Cross Valley CVP contract (Contract No. 14-06-200-8293A-IR14); and

WHEREAS, PID has historically transferred some of its CVP Water to other CVP contractors, such as HVID, through the Friant Division/Cross Valley Accelerated Water Transfer Program (hereinafter "AWTP"), which is an accelerated process that allows for water transfers and exchanges under Section 3405 of Central Valley Project Improvement Act (CVPIA, Title 34 of Public Law 102-575); and

WHEREAS, rather than continue annual transfers under the AWTP, PID and HVID entered into an agreement which, among other things, provided for an assignment of one thousand (1,000) acre-feet of PID Friant Division Class I CVP Water under Contract No. 175r4309D to HVID; and

WHEREAS, pursuant to their agreement, PID and HVID have requested approval from Reclamation for the assignment of one thousand (1,000) acre-feet of PID Friant Division Class I CVP Water under Contract No. 175r-4309D to HVID (hereinafter the "Project"); and

WHEREAS, an Environmental Assessment ("EA")/Initial Study ("IS") was jointly prepared for the Project by Reclamation as the federal lead agency to satisfy the requirements of the National Environmental

Policy Act (“NEPA”) and PID as the California lead agency to satisfy the requirements California Environmental Quality Act (“CEQA”); and will be considered by HVID as a California responsible agency prior to HVID’s approval of the Project; and

WHEREAS, the Board of Directors for PID has adopted a Negative Declaration for the Project pursuant to the requirements of CEQA, concluding that the Project will not have a significant effect on the environment; and

WHEREAS, Reclamation (on behalf of the United States), PID and HVID have negotiated that certain “Agreement for Partial Assignment of Porterville Irrigation District water services and facilities repayment contract to Hills Valley Irrigation District” (hereinafter “Assignment Contract”), which memorializes the terms and conditions for the Project; and

WHEREAS, the PID Board of Directors has reviewed the Assignment Contract and finds that assigning (1,000) acre-feet of PID Friant Division Class I CVP Water under Contract No. 175r-4309D to HVID is in the best interests of the PID and its landowners, and that the Assignment Contract should be executed in substantially the form attached as Exhibit A hereto, which execution shall occur upon the completion of all necessary approvals for the Project.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Porterville Irrigation District:

1. Determines that the foregoing recitals and findings are true and correct, and incorporates them herein by this reference; and
2. Approves and authorizes execution of the Assignment Contract by the President and Secretary in substantially the form attached hereto as Exhibit A, which execution shall be subject to the completion of all necessary approvals for the Project; and
3. Authorizes and directs the Secretary to provide certified copies of the foregoing resolution to the Bureau of Reclamation; and
4. Authorizes and directs PID’s officers, staff and consultants to take all additional actions they deem necessary or appropriate to facilitate the execution of the Assignment Contract and to comply with its terms and conditions.

NOW, THEREFORE, BE IT FURTHER RESOLVED that Board of Directors for the Porterville Irrigation District authorizes and directs staff to file a Notice of Determination for the Project approval, in substantially the form attached hereto as Exhibit B, pursuant to the requirements of CEQA.

All of the foregoing, being on the motion of Director Gisler, and seconded by Director Borba, was authorized by the following vote:

AYES: Lombardi, Borba, Gisler, Schneider

NOES: None

RESOLUTION NO. 2012-09-02

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ABSTAINING: None

ABSENT: None

I HEREBY CERTIFY that the foregoing resolution is the resolution of said District as duly passed and adopted by said Board of Directors on the Eleventh day of September, 2012.

WITNESS my hand and seal of the Board of Directors this Eleventh day of September, 2012.



Secretary of the Board of Directors